

EXECUTIVE SECRETARIAT **ROUTING SLIP**

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA		X		
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt		X		
13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NIO/ECON	X			
20					
21					
22					
SUSPENSE		Date			

Remarks

STAT

Executive Secretary

7 Jan 85

Date

3637 (10-81)

THE WHITE HOUSE

WASHINGTON

Executive Order

85-037

CABINET AFFAIRS STAFFING MEMORANDUM

Date: 1/4/85 Number: 169111CA Due By:

Subject: Cabinet Council on Economic Affairs Planning Meeting - January 8, 1985

8:45 A.M. - Roosevelt Room

TOPIC: Employment Policy

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	McFarlane	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>	Svahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Transportation	<input type="checkbox"/>	<input type="checkbox"/>	Chapman	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	Executive Secretary for:		
EPA	<input type="checkbox"/>	<input type="checkbox"/>	CCCT	<input type="checkbox"/>	<input type="checkbox"/>
NASA	<input type="checkbox"/>	<input type="checkbox"/>	CCEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>	CCFA	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>	CCHR	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	CCLP	<input type="checkbox"/>	<input type="checkbox"/>
			CCMA	<input type="checkbox"/>	<input type="checkbox"/>
			CCNRE	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

There will be a Cabinet Council on Economic Affairs Planning Meeting on Tuesday, January 8, 1985, at 8:45 A.M. in the Roosevelt Room.

The agenda and background papers are attached.

RETURN TO:

☐ Craig L. Fuller☐ Don Clarey☒ Tom Gibson☐ Larry HerbolzheimerDCI
EXEC
REG

THE WHITE HOUSE

WASHINGTON

January 4, 1985

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER *RBP*

SUBJECT: Agenda and Papers for the January 8 Meeting

The agenda and papers for the January 8 meeting of the Cabinet Council on Economic Affairs are attached. The meeting is scheduled for 8:45 a.m. in the Roosevelt Room.

The Council is scheduled to continue its consideration of the report of the Working Group on Employment Policy, which last reported to the Council on December 13. The January 8 meeting will focus on three issues:

1. The Targeted Jobs Tax Credit
2. Summer Youth Employment and Training Program Fund Distribution
3. Employment Service Devolution

Papers on the first two topics were distributed on December 11. Copies of them are attached for your convenience.

Attachments

THE WHITE HOUSE
WASHINGTON

CABINET COUNCIL ON ECONOMIC AFFAIRS

January 8, 1985

8:45 a.m.

Roosevelt Room

AGENDA

1. Report of the Working Group on Employment Policy (CM# 510)

THE WHITE HOUSE

WASHINGTON

December 11, 1984

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: THE WORKING GROUP ON EMPLOYMENT POLICY

SUBJECT: Targeted Jobs Tax Credit Extension

Issue: Should the Administration support extension of the Targeted Jobs Tax Credit program and, if so, should the Administration propose any program changes and how long of an extension should it support?

The Targeted Jobs Tax Credit (TJTC) program is designed to encourage employers to hire disadvantaged individuals from certain target groups and recipients of certain welfare payments. The credit is scheduled to expire December 31, 1985. There will almost certainly be legislative proposals in the 99th Congress to extend it.

Background

The Revenue Act of 1978 created the TJTC for a three-year period expiring on December 31, 1981. The Economic Recovery Tax Act of 1981 extended TJTC for one year and the Tax Equity and Fiscal Responsibility Act of 1982 extended the program for two additional years to December 31, 1984. The Deficit Reduction Act of 1984 extended TJTC through December 31, 1985.

As initially enacted, the TJTC provided a tax credit of 50 percent of the first \$6,000 of an eligible employee's wages in the first year of employment and 25 percent in the second year for seven designated groups:

- o Economically disadvantaged youth aged 16-24;
- o Economically disadvantaged Vietnam veterans under age 35;
- o Economically disadvantaged ex-convicts;
- o Recipients of Supplemental Security Income;
- o Recipients of general assistance;
- o Students in qualified cooperative education programs.
- o Handicapped persons referred by vocational rehabilitation programs.

-2-

In extending the credit, Congress has made several structural changes:

- o Limited eligibility of cooperative education students to those who are economically disadvantaged.
- o Limited the retroactive certification of persons already hired.
- o Added disadvantaged youth for summer jobs as an eligible target group. (This credit is 85 percent of wages up to \$3,000 for the 90-day period beginning May 1 of each year.)
- o Removed the age limitation for Vietnam veterans.
- o Added Work Incentive (WIN) program participants and Aid to Families with Dependent Children (AFDC) recipients as eligible target groups, which had been subjects of a separate credit.
- o Removed Comprehensive Employment and Training Act (CETA) public service employees who were laid off as an eligible target group.

State employment service agencies administer the TJTC and certify individual workers for qualification in specific target groups. The Internal Revenue Service is responsible for the applicable regulations.

The scope of the program has expanded substantially since it was enacted in 1978. The number of TJTC certificates issued is as follows:

<u>Fiscal year</u>	<u>Certifications</u>	<u>Percent change</u>
1979	37,020	NA
1980	305,743	NA
1981	411,581	34.6
1982	202,261	-50.8
1983	397,644*	96.6
1984 (estimated)	508,500*	29.8

* Excludes summer youth certifications: 33,538 in 1983; 27,000 in 1984.

The substantial decline in certifications in FY 1982 was largely due to the elimination of non-disadvantaged cooperative education students as an eligible group. The limitations on retroactive certifications also contributed to the decline in certifications.

-3-

Economically disadvantaged youth, the largest target group, accounted for 62 percent of TJTC jobs obtained in the first three quarters of FY 1984. In addition, a substantial number of youth obtained jobs through the summer youth TJTC program.

AFDC recipients accounted for 16 percent of TJTC jobs. Attachment 1 outlines the number of certifications for each target group.

About 42 percent (30 percent black and 12 percent other) of those individuals obtaining jobs under the TJTC were from minority groups. In addition, 56 percent of those certified were male and 76 percent were under 24 years old. Attachment 2 outlines the demographic composition of TJTC participants.

Over 40 percent of the jobs for which individuals were hired under the credit were in service occupations. The next highest proportion of jobs was in clerical and sales occupations (19 percent). Attachment 3 outlines the distribution of occupations among TJTC participants.

Program Effectiveness

There is no definitive measure of the net employment impact of TJTC on participants. The relevant criteria for judging the program include:

- o To what extent does the TJTC act as a tax loophole by permitting employers to claim the tax credit from hiring persons they would have hired without the credit.
- o To what extent does obtaining a job under the TJTC enhance the likelihood of obtaining permanent, unsubsidized employment?
- o To what extent do persons hired from the target groups under the TJTC displace non-target group members. For example, do employers tend to hire disadvantaged youth instead of disadvantaged adults in order to earn the credit?
- o Could the objective of enhancing employment opportunities of youth be met more effectively and at less cost by simply lowering the minimum wage and removing other unnecessary employment barriers?

The Department of Labor has contracted with Macro Systems, Inc. to evaluate the impact of the TJTC. The study will seek to estimate the net employment and earnings effects of the credit on the target groups over a period of 15 months after they are hired and to measure the extent to which the hiring of TJTC-eligible

-4-

individuals displaces workers from the non-eligible population. Macro Systems started the study in August 1984 and expects to complete it by the end of 1985.

Budget Implications

TJTC affects the budget in two ways. The more important one, by far, is tax expenditures.

Tax Expenditures. The following table displays estimates of tax expenditures for TJTC:

<u>Fiscal year</u>	<u>Revenue loss (in \$millions)</u>
1982	235
1983	290
1984	465
1985	1000

Budget Outlays. The TJTC increases budget outlays through costs incurred by the Department of Labor in administering it. For fiscal years 1982 through 1985, these administrative costs were about \$20 million annually. The Department is requesting appropriations in FY 1986 of \$35 million. The \$15 million increase is aimed at meeting the high level of employer interest that has developed in the program as economic conditions have continued to improve.

Recent Legislative Proposals

The Deficit Reduction Act of 1984 extended the TJTC through December 31, 1985. The Senate-passed version would have extended the TJTC three years, while the House-passed version did not contain an extension. The Conference Committee agreed on a one-year extension, which was supported by the Administration.

A number of other TJTC-related legislative proposals were introduced in the 98th Congress. Some would have extended the program for five years. Others would have added new target groups. A list of these proposals is found at Attachment 4.

Policy Objectives

There are at least two major generic objectives which TJTC should attempt to meet:

-5-

1. Increase employment and earnings of target groups by a greater amount than otherwise would have occurred. A tax credit program should increase employment of those groups targeted above that would have taken place in the absence of the the credit. Moreover, a program should increase the likelihood of participants obtaining permanent, unsubsidized employment.
2. Achieve greater employment and earnings while minimizing program costs. A jobs program should achieve its employment objectives while minimizing costs. If there are a variety of programs that can achieve the same increase in employment and earnings, the government should choose the program which expends the fewest resources.

Policy Options

There are two basic policy issues that need to be addressed.

Issue 1: Should the Administration support extension of the TJTC?

Option A: Allow the TJTC to expire after December 31, 1985.

Advantages

- o While the net employment benefits of the TJTC are uncertain, its costs are certain. Allowing the TJTC to expire would reduce FY 1986 tax expenditures by about \$1.0 billion and reduce budget outlays of about \$35 million in administrative costs. Moreover, expiration would reduce future fiscal year tax expenditures, which would probably increase if the credit were extended.
- o TJTC may provide sizable windfalls to employers who may have hired many individuals even in the absence of the credit.
- o The Federal Government already provides much employment and training assistance to youth, especially those who are economically disadvantaged, largely through the JTPA. Moreover, the Administration is proposing the establishment of a Youth Employment Opportunity Wage, which would further help youth, particularly those who are economically disadvantaged.

-6-

- o Unless the Administration proposes allowing TJTC to expire now, growing support for the program would make the credit permanent.

Disadvantages

- o Allowing expiration could be interpreted as a retreat from the Administration policy of encouraging the movement of the economically disadvantaged into private sector jobs.
- o Segments of the business community and target groups benefiting from the credit will strongly oppose expiration.
- o Allowing expiration may reduce support for the Administration's youth employment opportunity wage (YEOW) proposal since some groups supporting YEOW may perceive TJTC as a necessary complement to YEOW.

Option B: Propose extending the TJTC for at least two years.

Advantages

- o Proposing extension would affirm the Administration's commitment to the placement of the economically disadvantaged in private sector jobs.
- o The program could be modified to restrict eligibility and limit costs.

Disadvantages

- o Extending the program would result in a revenue loss of about \$1.0 billion in FY 1986 and perhaps more in future fiscal years.
- o Given the large projected out-year deficits, it is difficult justifying expending resources on a program with uncertain and unproven benefits, especially when there exists alternative youth employment programs that have demonstrated effectiveness.

Issue 2: If the Administration supports extension, should it propose any program changes?

Option A: Propose TJTC extension while: a) limiting the target groups to economically disadvantaged youth and well-qualified recipients; and/or b) changing the nature of the credit, for example, reducing the credit for disadvantaged summer youth from 85 percent of wages to 50 percent, the same credit available to other groups.

-7-

There are already seven target groups under the TJTC and a number of legislative proposals would, if enacted, add seven more target groups. The expansion of the scope of the credit diminishes its effectiveness as an incentive for hiring the basic group for which it was created: the economically disadvantaged. In addition, the proliferation of target groups makes the TJTC more difficult to administer.

An alternative to the proliferation of target groups would be to reduce the current number of target groups eligible to economically disadvantaged youth and welfare recipients.

Advantages

- o A reduction in the number of target groups would assure targeting of resources to those most in need.
- o A reduction in the number of target groups and/or a change in the nature of the credit would result in a lower loss of revenue. A direct extrapolation of reducing the number of target groups to economically disadvantaged youth and welfare recipients suggests that the FY 1986 revenue loss would be \$800 million, instead of \$1.0 billion. However, the revenue loss could be greater or less.
- o It would streamline the administration of the program.

Disadvantages

- o Given the congressional pressure for expanding the scope of the program, proposing a reduction in the scope could alienate support in the Congress for the TJTC itself.
- o A reduction would encounter opposition from disqualified target groups.
- o Changing the nature of the credit could reduce the incentive for employers to hire individuals from the targeted groups.

-8-

Option B: Propose TJTC extension without amending the credit.

Advantages

- o Maintaining the current scope of the program enables the government to target specific groups.

Disadvantages

- o Maintaining the current scope makes it less likely that employers will hire economically disadvantaged youth.
- o It would keep the costs of the program high since the credit would be available to a large number of target groups.

Attachments

Attachment 1

Targeted Jobs Tax Credit Certifications
 Issued by Target Group: First Three Quarters FY 1984
 (October 1, 1983 - June 30, 1984)

<u>Target Group</u>	<u>Number</u>	<u>Certifications Percent</u>
Youth, Economically Disadvantaged	235,766	61.5
Vietnam Veterans, Economically Disadvantaged	21,904	5.7
Ex-convicts, Economically Disadvantaged	19,924	5.2
Vocational Rehabilitation	27,644	7.2
General Assistance Recipients	16,789	4.4
Supplemental Security Income Recipients	1,094	0.2
AFDC Recipients	60,620	15.8
 <u>TOTAL</u>	 383,541	 1/ 100.0

1/ Does not include 13,110 summer youth certifications.

Attachment 2

Demographic Characteristics of Certified Individuals
First Three Quarters FY 1983
TJTC

Demographic Characteristics	Percent of Total 1983
Male	55.8
Female	44.2
16-18 Years Old	14.3
19-24 Years Old	61.4
25-34 Years Old	17.0
35 Years Old or Over	7.3
White, Not Hispanic	57.9
Black, Not Hispanic	30.1
Hispanic	8.8
American Indian/Alaskan Native	0.6
Asian or Pacific Islander	2.6

Attachment 3

Occupations of Certified Individuals
First Three Quarters FY 1983
.. TJTC

<u>Occupational Groups</u>	<u>Percent of Total 1983</u>
Professional, Managerial, Technical	2.1
Clerical and Sales	18.6
Service	40.8
Farming, Forestry, Fishery	2.4
Processing	4.9
Machine Trades	5.0
Benchwork <u>1/</u>	7.6
Structural	5.4
Miscellaneous	<u>13.2</u>
TOTAL	100.0

1/ Includes assembling, grinding, and drilling.

Attachment 4

Proposed Legislation in the 98th Congress
to add additional target groups to TJTC

<u>Bill</u>	<u>Sponsors</u>	<u>Target Groups</u>
H.R. 2127	Kennelly Ferraro	Displaced homemakers
H.R. 2180	Rinaldo	Economically disadvantaged, aged 55 or older
H.R. 3211	Hammerschmidt	Handicapped individuals (added to WIN tax credit)
H.R. 3414	Seiberling	Economically disadvantaged, delinquent youth (16-18)
H.R. 4208	Bilirakis	Displaced homemakers
H.R. 4949	Mazzoli	Displaced homemakers
S. 371	Sasser, Nunn Levin, Johnston, Pressler	Individuals unemployed one year or who have exhausted unemployment benefits
S. 1753	Cranston	Low income older workers (65 or older).
S. 2431	Helms, Domenici, Thurmond	Food Stamp recipients

THE WHITE HOUSE

WASHINGTON

December 11, 1984

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: THE WORKING GROUP ON EMPLOYMENT POLICY

SUBJECT: Summer Youth Employment and Training Program
Fund Distribution

Issue: How can the Administration better target Summer Youth Employment and Training Program funds to areas with the greatest need?

The Summer Youth Employment and Training Program (SYETP) is designed to subsidize minimum wage public sector summer jobs for economically disadvantaged youth between the ages of 14 and 21.

Because of certain provisions in the distribution formula, large cities faced significant funding reductions in 1984. As a result, Congress appropriated an additional \$100 million in both the 1984 and 1985 program years to make up for the potential shortfall.

Large cities typically have more youth who would be eligible for the program and relatively fewer unsubsidized jobs available than suburban and rural areas. Unless the distribution formula is changed, areas with the greatest need will receive inadequate funding, while areas with less need will receive more funding.

Background

Summer youth employment programs began with the Neighborhood Youth Corps, authorized by the Economic Opportunity Act of 1964. Initially, the summer program operated in a small number of cities and its purpose was to provide short-term, part-time jobs to in-school youth living in areas with few private sector jobs. The implicit objectives of the program were to: a) give unemployed youth something to do during the summer months; and b) provide these youth with an opportunity to earn a paycheck. There was little emphasis on providing youth with marketable skills for later entry into the job market.

In 1973, the Comprehensive Employment and Training Act (CETA) consolidated a variety of categorical programs into one system of Federal, State, and local programs targeted primarily at economically disadvantaged individuals. While previous summer youth programs concentrated their efforts in urban labor markets, CETA spread these efforts nationwide. Summer youth programs were initiated in many smaller cities, suburban jurisdictions, and

-2-

rural areas. Appropriations for summer youth programs began to increase rapidly from \$305 million in 1974 to \$839 million in 1981.

In 1982, the Job Training Partnership Act (JTPA) reauthorized the summer youth programs, calling them the Summer Youth Employment and Training Program. The targeting and service provisions in the program are essentially the same as those in the programs that existed under CETA.

The program restricts eligibility to economically disadvantaged youth and the services include: work experience, basic and remedial education, skill training, employment counseling, and supportive services. The predominant activity remains work experience, i.e., part-time jobs in public or non-profit agencies. The type of work includes general maintenance and clean-up, simple clerical, and other low-skill activities. Appropriations for FY 1985 total about \$825 million. Prior funding and participation levels are found at Attachment 1.

Definitive impact evaluations have not been conducted on the summer youth programs. Analysts generally agree that, absent any emphasis on the development of the youth's basic skills and competencies, the programs have done little, if anything, to improve the long-term earnings and employment of participants. Furthermore, it is unclear whether the summer youth programs provided more job opportunities in some areas than those that would have been present in the absence of the programs. However, job opportunities in inner city areas have been declining over time and it is probable that summer youth programs have created new jobs in those areas.

Distribution Formula

Under JTPA, the Federal Government distributes funds to the States, which in turn distribute funds among approximately 600 Service Delivery Areas. These are local units of general government, or consortia of such units, that are responsible for program delivery.

The distribution of funds to the States is subject to a 90 percent hold-harmless provision, i.e., each State receives at least 90 percent of its previous year's allocation. There is no comparable hold-harmless provision in JTPA for the distribution of funds from the States to the Service Delivery Areas.

Since JTPA uses a different distribution formula from that used in CETA and does not use a hold-harmless provision at the Service Delivery Area level, many areas could have experienced in 1984 significant funding reductions from the levels they received under CETA.

-3-

These reductions would have been especially severe in larger cities where large numbers of eligible youth reside and relatively fewer unsubsidized jobs are available.

To avoid these potential shortfalls, Congress appropriated an additional \$100 million for both the 1984 and 1985 summer programs. These supplemental funds are to be used, to the extent possible, to keep local summer youth funding at the same levels as those under CETA. In 1984, about one-half of the \$100 million supplemental was provided to the 50 largest cities.

At the same time the JTPA distribution formula reduced resources to the urban areas, the formula expanded resources for suburban and rural areas which tend to have proportionately smaller numbers of eligible youth and more unsubsidized jobs. Initial estimates indicate that a substantial amount of the 1984 summer program funds were unused. These estimates indicate that 18 percent, or \$150 million of the \$825 million available, was unused in 1984. An estimated 150,000 job opportunities may have been lost this past summer.

While these unused funds can be used in future years, they cannot be reallocated among jurisdictions. Unless the JTPA distribution formula is changed, areas most in need will continue to receive relatively less funding than those areas with less need.

Policy Considerations

There are a number of policy objectives the Summer Youth Program should attempt to meet:

- o Provide job training. Although most of the jobs provide youth earnings and activities in which to engage during the summer, analysts generally agree that the program does little to improve the long-term earnings and employment of participants. To provide youth more than a temporary job, the program should include actual training to develop job skills and work habits.
- o Target resources to those areas with greatest need. The current distribution formula is based on aggregate unemployment and poverty data for both adults and youth. The formula does not necessarily distribute funds effectively toward those areas with youth who are most likely to benefit from it. In fact, these youth are concentrated in urban areas with high rates of joblessness and high concentrations of economically disadvantaged.

-4-

Any attempt to develop a formula that distributes funds more effectively toward needy youth will be limited by currently available labor market data. Statistics on total youth unemployment are available by State but not by specific age category, or by minority or disadvantaged status. Moreover, data at both the State and local levels do not reflect timely or accurate changes in the youth labor force and youth unemployment. Therefore, it will be difficult to identify those areas which have the proportionately largest numbers of youth who are unemployed or disadvantaged.

- o Assure that the program size is commensurate with the size of the youth population. Bureau of Labor Statistics data show that the youth population has declined since 1978. For example, the number of youth aged 16-19 in the labor force declined from 9.7 million in 1978 to 8.2 million in 1983. Likewise, the minority youth population has declined in size as shown in Attachments 2 and 3. Youth unemployment has leveled off and begun to decline in many areas.

The Federal Government should review whether the size of the Summer Youth Program should be adjusted to accommodate this demographic shift.

- o Allow jurisdictions to adjust gradually to funding changes. Because of the absence of a hold-harmless provision in JTPA at the Service Delivery Area level, local areas can experience substantial year-to-year shifts in funding. Not only can substantial annual changes make it difficult for local areas to adjust their programs; substantial reductions in funding can significantly increase the political pressures for increased appropriations.

Policy Options

The Working Group has developed three options for addressing the deficiencies in the current Summer Youth Program distribution formula.

Option 1: Maintain the status quo by continuing to use the current distribution formula without adjustment.

Advantage

- o Maintaining the status quo would eliminate the need for Congressional action and opening up JTPA, which risks unnecessary funding increases.

-5-

Disadvantage

- o There will continue to be strong pressure on the Congress to appropriate additional funds to compensate for the relatively low funding to urban areas with greater need.

Option. 2: Retarget funds to large urban areas through:

- A. Using the current distribution formula, but raising the threshold levels for "areas of substantial unemployment" (to an unemployment rate of 10 percent) and "excess unemployment" (to the level of the annual average national unemployment rate).
- B. Targeting funds in a manner similar to A., but using data specific to youth, instead of aggregate data which includes both adult and youth, to determine the areas with the greatest proportion of unemployed and economically disadvantaged individuals.
- C. Using the current distribution formula, but permitting Governors to apply the 90 percent hold-harmless provision to allocations of funds to Service Delivery Areas.

Advantages

- o Raising the threshold levels in the distribution formula would increase the proportion of funds directed to those areas with the most unemployment.
- o Since urban areas would tend to receive more funding under these criteria, there would be less pressure on the Congress to provide supplemental funding to compensate for the shortfall to urban areas.
- o This option would provide an opportunity to reduce program appropriations since raising the threshold levels would direct resources more accurately, enabling the program to meet employment needs in more areas with fewer dollars.
- o Targeting funds to large urban areas by using data specific to youth would more effectively target resources toward those areas with high youth unemployment, rather than areas with high unemployment, in general..

-6-

- o Applying the hold-harmless provision at the area level would avoid program disruption in both the losing and gaining areas, permitting them to adjust gradually.

Disadvantages

- o Raising the threshold levels without using data specific to youth would still not necessarily target most resources toward those areas with the highest youth unemployment rates.
- o Because of limitations in currently available labor market data, it will be difficult to identify those areas which have the proportionately largest numbers of youth who are unemployed and/or disadvantaged.
- o Proposing these changes in the program would require legislation, which would open up consideration of JTPA and risk unnecessary funding increases.

Option 3: Merge the Summer Youth Program with the basic JTPA block grant, which authorizes the full spectrum of training and employment services for adults and youth.

Advantages

- o This would permit Governors and Service Delivery Areas to address summer youth employment in the way they deem most appropriate.
- o Preliminary data suggests that the basic block grant program is effective in placing participants in private sector jobs. Given the lack of skill training in the current Summer Youth Program, it is unlikely that it will significantly improve the long-term employment and earnings prospects of participants. By contrast, at least 70 percent of the block grant's funding must be used for training.
- o Merging the Summer Youth Program with the basic block grant would likely reduce administrative costs.

Disadvantages

- o Proposing a merger may result in Congress both continuing funding of the Summer Youth Program and increasing funding of the block grant program.

-7-

- o Unless the formula for the basic block grant program is modified, funds would not necessarily be targeted toward areas with the greatest youth unemployment needs.
- o Merging the two programs could result in less funding for summer employment when youth unemployment is greatest, if Governors and Service Delivery Areas do not allocate sufficient funds for summer employment..

Attachments

Attachment 1

CALENDAR YEAR SUMMER PROGRAM
FUNDING AND PARTICIPANT LEVELS

<u>Calendar Year</u>	<u>Funding Levels</u> (millions)	<u>Participants</u>
1985 ^a	824.5	817,200
1984 ^a	824.5	817,200
1983	824.5	813,200
1982	674.6	683,198
1981	839.0	776,717
1980	608.6	855,700
1979	785.2	882,700
1978	756.0	898,566
1977	595.0	907,193
1976	528.4	1,131,600 ^b
1975	473.4	941,598
1974	305.6	862,502
1973	222.0	913,900
1972	332.2	759,361
1971	257.9	602,200
1970	185.5	461,700
1969	148.0	423,300
1968	126.8	360,000
1967	133.3	261,700
1966	121.1	182,800
1965	N/A	114,500

^aThese represent approved budget levels for 1984 and 1985; participant levels are projections based on estimated participant unit costs.

^bIncludes FY 1976 transition quarter.

N/A - Not Available.

EMPLOYMENT STATUS OF THE CIVILIAN NONINSTITUTIONAL POPULATION
BY AGE AND SEX, 1970-1983

<u>Age and 15 Year Olds</u>	<u>Civilian Noninst. Population (000)</u>	<u>Civilian Labor Force (000)</u>	<u>Participation Rate</u>	<u>Employment (000)</u>	<u>Unemploy- ment (000)</u>	<u>Unemploy- ment Rate</u>	<u>Not in Labor Force (000)</u>
1970	7993	1530	19.2	1362	168	11.0	6454
1971	8129	1566	19.3	1393	183	11.7	6563
1972	8299	1610	19.4	1417	192	11.9	6659
1973	8342	1672	20.0	1481	190	11.4	6673
1974	8447	1700	20.2	1479	230	13.4	6740
1975	8491	1631	19.2	1396	235	14.4	6861
1976	8482	1636	19.3	1368	238	14.8	6875
1977	8359	1746	20.9	1485	263	15.0	6612
1978	8227	1765	21.5	1492	274	15.5	6461
1979	8009	1659	20.8	1395	253	15.5	6369
1980	7672	1411	18.5	1193	226	15.9	6254
1981	7370	1202	17.5	1072	214	16.6	6074
1982	7170	1233	17.2	1025	208	16.9	5937
1983	7151	1190	16.8	992	199	16.6	5990
<u>Age 16 Year Olds</u>							
1970	14519	7349	43.7	6144	1106	15.3	7270
1971	15022	7470	43.7	6208	1262	16.9	7552
1972	15510	8054	41.9	6746	1308	15.2	7456
1973	15840	8817	53.7	7271	1235	14.8	7333
1974	16180	9871	54.8	7443	1422	16.0	7300
1975	16413	8870	54.0	7104	1767	19.9	7548
1976	16614	9056	54.5	7336	1719	19.7	7555
1977	16683	9351	56.0	7633	1663	17.8	7337
1978	16695	9652	57.8	8070	1583	16.4	7043
1979	16657	9638	57.9	8083	1555	16.1	7012
1980	16543	9373	56.7	7710	1669	17.1	7165
1981	16214	9049	55.8	7225	1763	19.1	7322
1982	15763	8526	54.1	6540	1977	21.1	7337
1983	15274	8171	53.5	6342	1829	21.1	7003
<u>Age 24 Year Olds</u>							
1970	15923	12571	60.2	9731	866	7.1	1126
1971	16345	13031	60.3	10201	1130	7.4	1114
1972	17143	13211	57.9	10299	1132	7.4	1111
1973	17692	13346	57.6	10339	1006	7.1	1146
1974	17994	13314	54.3	12101	1212	7.4	1140
1975	18595	13770	54.3	11865	1865	10.4	1146
1976	19109	14214	54.3	12570	1714	7.4	1125
1977	19582	14623	55.7	13196	1629	7.4	1137
1978	20007	15117	56.9	13867	1493	7.4	1137
1979	20353	15704	57.3	14307	1442	7.4	1144
1980	20635	15411	57.3	14387	1435	7.4	1143
1981	20820	15411	57.3	14102	1976	10.4	1143
1982	20845	15411	57.3	13600	2302	10.4	1143
1983	20709	15011	57.3	13722	2387	10.4	1143

Attachment 3

Black Workers

	CNP	CLF	P/R	EMP	UNEEMP	U/R	NILE
<u>14 and 15 Year Olds*</u>							
1970	1129	147	13.0	104	44	29.9	982
1	1158	136	11.7	90	44	32.6	1023
2	1204	146	12.1	95	50	34.5	1059
3	1232	129	10.4	83	46	35.4	1103
4	1294	155	12.0	98	58	37.2	1139
5	1316	140	10.6	84	56	40.0	1177
6	1336	133	10.3	79	59	42.3	1198
7	1338	145	10.8	85	60	41.6	1193
8	1342	164	12.2	96	68	41.7	1178
9	1338	146	10.9	83	63	43.0	1192
1980	1318	128	9.7	74	55	42.7	1190
1	1284	115	9.0	65	49	42.6	1169
2	1249	86	6.9	45	41	47.7	1161
3	1261	101	8.0	58	43	42.6	1160

16 to 19 Year Olds

1970*	1995	409	40.6	574	245	29.1	1196
1*	2084	737	37.8	538	249	31.6	1202
2	2048	788	39.0	509	279	35.4	1233
3	2095	833	39.8	550	262	31.5	1257
4	2137	851	39.8	554	297	35.0	1270
5	2191	838	38.2	557	315	39.5	1331
6	2264	841	37.1	584	310	39.2	1151
7	2273	861	37.9	508	354	41.1	1412
8	2270	930	41.0	571	369	38.7	1131
9	2276	912	40.0	579	333	36.5	1161
1980	2289	891	38.9	547	343	38.5	1199
1	2288	862	37.7	555	357	41.1	1176
2	2262	824	36.4	424	396	48.0	1170
3	2225	800	36.4	416	342	41.5	1170

20 to 24 Year Olds

1970*	1965	1157	60.1	1172	167	13.4	1005
1*	2139	1112	57.1	1201	241	16.7	1000
2	2027	1193	60.7	1166	226	16.3	1000
3	2132	1169	59.5	1250	231	15.5	1000
4	2137	1192	60.3	1231	251	17.5	1000
5	2328	1477	60.3	1115	262	24.5	1000
6	2303	1541	67.0	1134	300	26.7	1000
7	2369	1641	69.3	1244	307	24.7	1000
8	2391	1739	72.7	1159	379	32.8	1000
9	2506	1793	71.5	1244	463	29.6	1000
1980	2606	1892	69.1	1156	426	23.6	1000
1	2642	1828	69.2	1146	403	26.4	1000
2	2607	1849	71.0	1291	505	38.6	1000
3	2711	1871	69.1	1250	591	41.6	1000

* For these years data represents Blacks and other minorities; for other years the data reflects Blacks only.